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## **Canada**

### **Livestock:**

# **Ontario's Second Largest Hog Slaughter Plant on Strike 1998**

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#### **Report Highlights:**

A strike at a major Ontario hog processing plant is causing concern for the Canadian and U.S. hog industries already suffering from an acute financial crisis brought on by slumping hog prices.

Summary: The acute financial crisis in Canada's hog industry, brought about by the sharp slump in hog market prices in the last half of 1998, was further worsened in early December by a strike at Quality Packers, Toronto, Ontario, that province's second largest pork processor. The development heightens concerns among the U.S. pork industry that possible additional exports of live Canadian hogs could exacerbate an already depressed U.S. hog market. The Ontario hog marketing board has reportedly increased hog marketings to Quebec and Manitoba processors in an effort to reduce the pressure of additional hogs caused by the strike. Weekly Canadian hog slaughter capacity is currently estimated to be less than daily U.S. slaughter capacity. In 1999, a new Canadian hog plant in Brandon, Manitoba is expected to ease the level of Canadian live exports to the United States.

Members of the United Food and Commercial Workers Union at Quality Meat Packers Ltd., went on strike December 6, 1998. As a result, the approximate 25,000 hogs per week that Quality would normally slaughter are on the market, taxing the Ontario hog marketing board's ability to secure slaughter facility space to process the hogs. In an effort to alleviate the number of surplus hogs, the marketing board is reportedly increasing marketings to Quebec and also to Maple Leaf Foods and J.M. Schneider plants in Winnipeg, Manitoba despite the additional transportation cost. The board continues to ship live hogs to two regular packing customers in the United States.

To remain competitive with their domestic and U.S. competition, Quality wants to have a competitive cost structure. Earlier this year labor settlements at Maple Leaf Foods (Ontario) and Fletchers (Alberta) resulted in workers accepting wage and benefit reductions as part of an overall strategy of the Canadian industry to become more competitive with U.S. processors. Quality's workers have overwhelmingly rejected the new wage standards established for the pork processing industry in Canada. The legal strike follows the rejection by the workers (who reportedly voted 96% in favor of a strike) of the latest collective agreement offered by the company. The two sides in the labor dispute are far apart, suggesting that the strike may be of long duration. According to company management, Quality had already extended the collective agreement for an extra year, to give both parties a chance to evaluate the industry's competitive conditions before signing any new contract. The company claims that the wage and benefit differential has cost Quality Meat Packers more than C\$4 million over competitors' rates since April 1998. It is estimated that Quality normally accounts for 25-30 percent of total weekly Ontario hog slaughter.

Industry experts estimate federally inspected single shift hog slaughter capacity (5 day week) in Canada at just under 350,000 head per week, about 35,000 head less than U.S. daily slaughter capacity. According to post calculations, this would place optimum annual Canadian capacity at about 18.0 million hogs per year. The inclusion of provincially inspected plants would raise annual Canadian slaughter capacity to near 19.0 million head. In recent years, total actual Canadian hog slaughter has averaged slightly above 15.0 million per year. Live hog exports to the United States reached 3.2 million head in 1997 and are currently projected to exceed 4.0 million head during 1998, a level about equal to the difference between average annual Canadian hog slaughter and Canadian hog slaughter capacity.

For 1999, Maple Leaf's new hog plant in Brandon, Manitoba, is expected to come into operation about mid-year (see Annual Report, CA8040). When fully operational, the modern facility is expected to have an annual slaughter capacity of approximately 2.0 million head (about 45,000 per week). It is anticipated that the new Maple Leaf plant will absorb a significant proportion of the hogs that are currently exported live to the United States.